

Date of Hearing: April 19, 2016

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Jose Medina, Chair

AB 2787 (Chávez) – As Amended April 12, 2016

SUBJECT: Student financial aid: Middle Class Scholarship Program: private nonprofit postsecondary educational institutions

SUMMARY: Expands the Middle Class Scholarship Program (MCS) to include students attending private nonprofit postsecondary educational institutions that participate in the Cal Grant Program, and provides that the maximum award amount will be 40% of the maximum award that the student would have received under the Cal Grant Program.

EXISTING LAW:

- 1) Establishes the MCS to provide, commencing with the 2014-15 academic year, and subject to available and sufficient appropriations, an undergraduate student enrolled in the California State University (CSU) or the University of California (UC), who meets eligibility requirements, an award.
- 2) Provides that the MCS award amount shall, when combined with other federal, state, or institutionally administered student grants or fee waivers, is up to 40% of the amount charged to that student in that academic year for mandatory systemwide tuition and fees.
- 3) Eligibility requirements provide that:
 - a) The student's annual household income does not exceed \$150,000. For awards distributed for the 2016–17 academic year and subsequent academic years, CSAC is required to shall annually adjust the maximum income level in accordance with changes in the cost of living;
 - b) The student's household asset level shall not exceed \$150,000. For awards distributed in the 2016–17 academic year and subsequent academic years, CSAC is required to annually adjust the maximum household asset level consistent with changes in cost of living;
 - c) The student satisfies other eligibility requirements for a Cal Grant award, as specified;
 - d) The student is exempt from paying nonresident tuition;
 - e) The student completes and submits a Free Application for Federal Student Aid (FAFSA) application by no later than March 2;
 - f) The student makes a timely application or applications for all other federal, state, or institutionally administered grants or fee waivers for which the student is eligible;
 - g) The student maintains satisfactory academic progress;
 - h) The student is pursuing his or her first undergraduate baccalaureate degree or has completed a baccalaureate degree and has been admitted to, and is enrolled in, a program

of professional teacher preparation at an institution approved by the California Commission on Teacher Credentialing; and,

- i) The student is enrolled at least part time.
- 4) Provides that the percentage of the award shall be reduced by 0.6 percent per \$1,000 of household annual income in excess of \$100,000.
- 5) Provides that the minimum annual scholarship amount for full-time enrollment is \$90.
- 6) Provides that, for 2014–15, 2015–16, and 2016–17 academic years, the maximum amount of a student’s scholarship award shall be 35 percent, 50 percent, and 75 percent, respectively, of the total scholarship award amount that the student would otherwise be eligible to receive.
- 7) Prohibits UC and CSU from supplanting their respective institutional need-based grants with the funds provided for scholarships under the MCS, and requires institutions to maintain funding amounts at levels that, at minimum, are equal to the level maintained for undergraduate students in 2013-14.
- 8) Requires UC and CSU to report on MCS implementation.

FISCAL EFFECT: Unknown.

COMMENTS: *Purpose of this bill.* The author provided the following background information in regards to this bill:

- 1) *What problem is this bill seeking to address? Please present all relevant (and specific) facts that demonstrate the need for this bill.* According to the author's background materials "the Middle Class Scholarship program provides undergraduate students with family incomes up to \$150,000 and a maximum household amount of \$150,000, a scholarship to attend UC or CSU campuses. Given that tuition rates, not just in public institutions but also in private non-profit institutions, have steadily increased year after year, college has become increasingly less affordable. This scholarship ultimately helps to alleviate some of the increasing costs of attending college; however, it only applies to public institutions. It does not currently address the cost burdens incurred by students attending private non-profit institutions."
- 2) *What is the deficiency in current law that this bill seeks to remedy? Why is legislation necessary to resolve this problem?* According to the author, "this bill will extend the MCS to students attending private non-profit institutions and thus help all students, regardless of what institution they are attending, alleviate some of the cost burdens associated with rising tuition costs while they are attending."
- 3) *How will the enactment of this bill address this problem?* According to the author, "this bill will extend the MCS to apply to both public and private non-profit institutions."

Issues to consider. The author and Committee may wish to consider the following:

- 1) *Funding.* This bill does not appropriate funding to support costs associated with extending MCS to cover students enrolled in nonprofit postsecondary educational institutions. *Does the author intend for MCS to not be applicable to students at independent institutions until it is*

subsequently funded? Is this expansion intended to be an entitlement or a competitive grant program? In the absence of additional funds what would the impact of this bill be on existing MCS recipients?

- 2) *Supplanting campus aid.* Public institutions are required to report to the Legislature regarding campus need-based aid programs. This reporting ensures that the institutions comply with the requirements that MCS funds are not used to supplant existing campus aid programs. There is no provision of this bill that would ensure against MCS funds supplanting private, nonprofit institutional campus based aid. *Is it prudent to expend state resources in a way that potentially supplants campus based aid?*
- 3) *Other financial aid priorities.* As discussed in more detail in the analysis of other bills before this Committee, the Cal Grant program is still missing hundreds of thousands of low-income students. While the Budget Act of 2015-16 increased the number of annual competitive Cal Grants to 25,750, this number still falls far short of meeting demand. In 2014, for example, over 300,000 students had income and asset levels to qualify for a Cal Grant. *Should expanding the MCS to middle-class students attending nonprofit, private colleges be prioritized over other financial aid program expansions?*

REGISTERED SUPPORT / OPPOSITION:

Support

California Chamber of Commerce

Opposition

None on File

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